



# WEEKLY ECONOMIC DIGEST

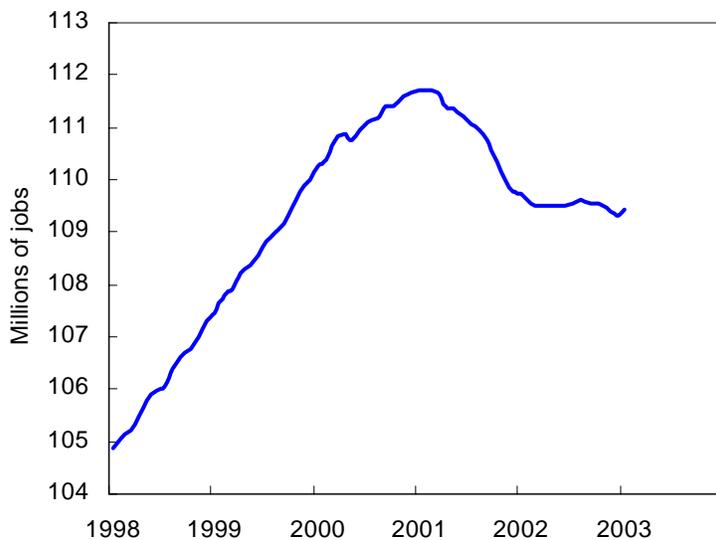


JOINT ECONOMIC COMMITTEE – DEMOCRATS  
REPRESENTATIVE PETE STARK (D-CA)

February 11, 2003

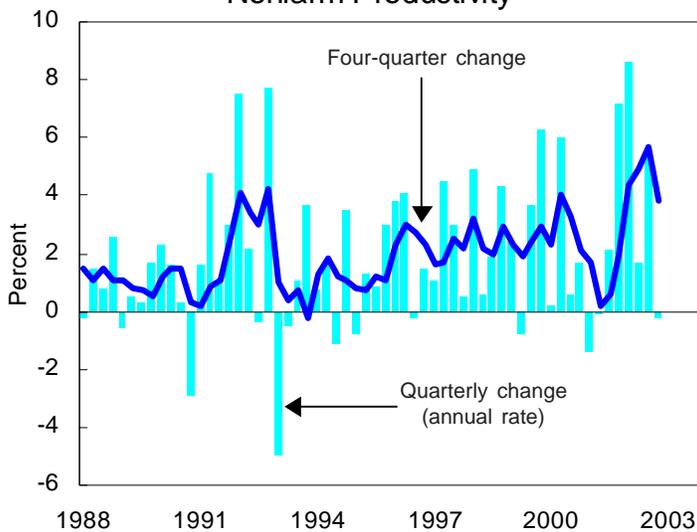
## Despite Some Improvement, the Employment Situation Remains Weak

Private Nonfarm Payrolls



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Nonfarm Productivity



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **The unemployment rate fell in January.** The civilian unemployment rate fell 0.3 percentage point to 5.7 percent last month, close to its average for the second half of last year. That decline surprised financial markets that had expected no change in the overall unemployment rate. The ratio of employment to the noninstitutional civilian population registered a modest increase of 0.1 percentage point to 62.5 percent, still well below the peak of 64.6 percent that it reached in 2000.
- **Nonfarm payrolls rose sharply but remained near November's level.** The number of employees on nonfarm payrolls rose by 143,000 in January, about twice the increase that financial market analysts had been expecting. However, revised estimates show that nonfarm payrolls declined in December by 156,000, so that payrolls in January were about 13,000 below their November level. The January gain in payrolls reflected a seasonally adjusted increase of 101,000 in retail jobs, reversing a decline of nearly as much in December.
- **The average workweek increased last month.** The average workweek for production and nonsupervisory workers on private nonfarm payrolls rose to 34.2 hours in January. That rise in average hours, coupled with the rise in payrolls, pushed total hours worked up by 0.3 percent. Even so, that increase only returned total hours worked to the level that prevailed last October.
- **Productivity fell in the final months of last year.** Output per hour in nonfarm businesses fell at an annual rate of 0.2 percent in the fourth quarter of 2002. A 0.8 percent increase in nonfarm output was less than the 1 percent rise in labor hours, leading to the decline in output per hour. Nevertheless, nonfarm productivity was 3.8 percent higher than it was a year earlier. That growth was well above its long-term trend rate, estimated by analysts to be just above 2 percent per year.

<b>Economy At A Glance</b>	2003 Jan	2002 Dec	2002 Nov	2002 Oct	2002 Qrt 4	2002 Qrt 3	2002 Qrt 2	2002 Qrt 1	2002	2001
<b>Economic Activity</b>										
Real GDP (% growth)					0.7	4.0	1.3	5.0	2.4	0.3
Industrial Production (% growth)*		-2.4	1.2	-5.8	-2.4	3.4	4.4	1.4	1.7	-5.7
Capacity Utilization (Level, %)*		75.4	75.6	75.6	75.5	76.2	75.7	75.1	75.6	77.3
Civilian Unemployment Rate (Level, %)	5.7	6.0	5.9	5.8	5.9	5.8	5.8	5.6	5.8	4.7
Housing Starts (Thousands)		1835	1747	1660	1747	1697	1667	1725	1709	1603
Real Disposable Personal Income (% growth)		4.9	3.7	2.4	2.6	3.1	3.9	14.5	4.5	1.8
Retail Sales (% growth)*		15.4	11.4	1.2	1.2	6.6	4.5	-3.2	3.4	3.9
Personal Saving Rate (Level, %)		4.1	4.5	4.5	4.3	3.8	4.0	3.5	3.9	2.3
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)		1.2	1.2	3.7	2.4	1.9	3.4	1.4	1.6	2.8
Core CPI-U Inflation (% growth)		1.2	2.4	2.4	1.8	2.0	2.2	2.3	2.3	2.7
Compensation per Hour (% growth)					2.8	2.4	4.5	3.6	3.3	4.1
Output per Hour (% growth)					-0.2	5.5	1.7	8.6	4.7	1.1
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	1.2	1.2	1.2	1.6	1.3	1.6	1.7	1.7	1.6	3.4
T-Note Rate, 10-years (Level, %)	4.1	4.0	4.1	3.9	4.0	4.3	5.1	5.1	4.6	5.0
Federal Funds Rate (Level, %)	1.2	1.2	1.3	1.8	1.4	1.7	1.8	1.7	1.7	3.9
Dow Jones Industrial Avg (Index level)	8475	8527	8626	8048	8400	8488	9913	10105	9226	10189

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

\* Subject to revision this week.

#### Upcoming Economic Releases:

- **Import and Export Price Indexes, January** [Release: Thursday, February 13]
- **Advanced Monthly Sales for Retail and Food Services, January** [Release: Thursday, February 13]
- **Industrial Production and Capacity Utilization, January** [Release: Friday, February 14]
- **University of Michigan, Consumer Sentiment, February (Preliminary)** [Release: Friday, February 14]